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State Dept. review completed

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3. Chinese Nationalist paratroopers used in Tungshan Island operation:

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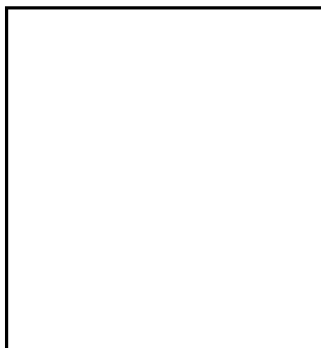


More than 600 Chinese Nationalist paratroopers flown by 17 C-46 transport aircraft from Formosa were used in the large-scale hit-and-run raid on Communist-held Tungshan Island, between Swatow and Amoy, according to reports from American officials at Taipei. No enemy aircraft or antiaircraft artillery opposed the jump, and all of the transport aircraft in the operation returned to Formosa.


Comment: As many as 7,000 Chinese Nationalist airborne and amphibious troops may have been used in this operation, the most ambitious raid the Nationalists have yet undertaken.


4. Chinese Communists extend off-shore island campaign to north Fukien coast:

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About 1,000 Chinese Communist troops occupied at least four islands off the coast of northern Fukien Province on 14 July, 

 Other reports indicate Communist landings at islands in the immediate area; details of the operations are not yet known.

Comment: Communist forces apparently plan to extend their current campaign to all of the Nationalist-held islands immediately off the mainland. An island invasion campaign has been taking place near the Tachen Islands off the Chekiang coast since late May, and Communist reconnaissance raiders landed on Chinmen Island near southern Fukien in early July.

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EASTERN EUROPE

8. Hungarian party members discouraged and disunited:

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Rank and file members of the Hungarian Workers' Party remain discouraged, disunited and frightened in spite of party leader Rakosi's speech on 11 July, in the opinion of the American legation in Budapest. Rakosi did not convince them that he still is in control of the party or abate their misgivings about the government's "new economic policy."

The legation believes that the program proclaimed by Premier Nagy and modified by Rakosi has failed to achieve its psychological objective of persuading workers and peasants to co-operate with the government. Instead, the speech convinced the already skeptical Hungarians that the policy is a temporary expedient at best and probably a complete deception.

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WESTERN EUROPE

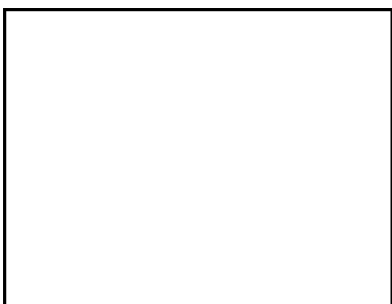
9. Comment on proposed East German wage increase:

The proposal by the East German trade unions and Socialist Unity Party to increase the wages of lower-paid employees in most industries and reinstate premiums for Sunday work is probably intended to appease the population by bringing about real benefits for the lower category workers. The new concession, however, can be expected to go no further than other economic reforms in satisfying the demands of the people, which have gone beyond the economic sphere in demanding political change.

In granting so widespread a pay increase, the East German government runs the danger of a resultant rise in prices, which would be a further cause of popular discontent.

10. Food bazaars for East Berliners opposed by Western officials:

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Both Vice Chancellor Bluecher and Allied officials in West Germany fear that expanding the food bazaar project begun on 14 June by a West Berlin borough president might bring prompt Soviet retaliation. Bluecher was reportedly cool to a plan of West Berlin mayor Reuter whereby every resident in the Soviet sector would receive a coupon entitling the holder to purchase a small quantity of food at an even exchange of east and west marks. The vice chancellor was inclined to leave such relief efforts to charitable organizations.

Both the French and British Berlin commandants fear that the bazaars might become trouble centers, thus providing a pretext for reprisals. American officials comment, however, that food distribution on a small scale would not be likely to bring Soviet reprisals, and that the original bazaar should be maintained.

